

Odessa-Montour Central School District

Fuel Inventory

OCTOBER 2019



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Odessa-Montour Central School District

Audit Objective

Determine whether District officials adequately safeguarded and accounted for fuel purchases.

Key Findings

- The District lacked policies and procedures necessary to manage fuel inventories.
- Complete fuel inventory, delivery and usage records are not maintained and reconciliations are not performed.
- 17 of 78 keys (22 percent) that allowed access to the fuel meter could not be located.

Key Recommendations

- Ensure written policies and procedures are in place to manage fuel inventories.
- Ensure accurate fuel inventory, delivery and usage records are maintained and periodic reconciliations are performed.
- Maintain an inventory of fuel keys and disable unaccounted for keys.

District officials generally agreed with our recommendations and indicated they have initiated corrective action.

Background

The Odessa-Montour Central School District (District) serves the Towns of Catharine, Cayuta, Dix, Hector and Montour in Schuyler County; the Towns of Van Etten and Veteran in Chemung County; and the Town of Enfield in Tompkins County.

A seven-member Board of Education (Board) is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools is the District's chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management.

Although the District contracts with the Watkins Glen Central School District for management and staffing of its transportation operations, the District is responsible for providing fuel. The Assistant Director of Facilities (Director) oversees maintenance of the heating systems in the District's four buildings, three of which use fuel oil. Responsibility for managing transportation fuel inventories was not clearly assigned.

Quick Facts

2018-19 Fuel Expenditures	\$251,075
Gallons of Gasoline Purchased	4,628
Gallons of Diesel Purchased	21,819
Gallons of Heating Fuel Oil Purchased	78,998

Audit Period

July 1, 2017 – July 22, 2019

Fuel Inventory

The District has four fuel storage tanks: one above ground 8,000-gallon¹ compartmentalized tank and one below ground 6,000-gallon heating oil tank at the bus garage and two below ground 10,000-gallon heating oil tanks at the District's main campus.²

The transportation department makes approximately 15 regular daily bus runs during the school year with a fleet of 18 vehicles.³ Each bus is assigned its own key to access the fuel pumps at the bus garage. The facilities department maintains the grounds around the District's four buildings using four diesel powered pieces of equipment and five trucks, two lawn mowers and various small gasoline operated pieces of equipment. One diesel and one gasoline fuel key have been assigned to the facilities department for fueling its equipment.

District employees and transportation staff dispense fuel from the gasoline and diesel fuel pumps by inserting the assigned key in the corresponding meter to engage the pumps and record the amount dispensed (see Figure 1).

FIGURE 1



1 The compartmentalized tank holds 6,000 gallons of diesel fuel and 2,000 gallons of gas for vehicle and equipment use.

2 The tank in the high school building is used to heat the entire campus, while the secondary tank in the Hanlon building is a backup.

3 The transportation department maintains 15 diesel buses, one smaller gas powered bus and two gas powered cars.

The District uses a fuel monitoring system (system) in each of the four tanks, which measures fuel and gasoline levels. Diesel fuel is automatically delivered on a bi-weekly schedule. When the gasoline level falls below 500 gallons, an alarm beeps to alert transportation staff in the bus garage and the head mechanic orders gasoline. The Director monitors heating fuel oil storage tank levels at the main campus and bus garage via the system and calls to order deliveries when the level is approximately 2,000 gallons.

How Should District Officials Safeguard and Account for Fuel Inventories?

District officials are responsible for safeguarding and accounting for fuel inventories to make sure they are safe from the risk of loss, waste and misuse. The Board should ensure that policies and procedures are in place that assign individual responsibilities to ensure that fuel is used for its intended purpose and is properly accounted for. District officials should ensure that fuel inventory records showing the amount of fuel on hand (or fuel tank level readings) are periodically reconciled to delivery and usage records. In addition, vehicle usage reports should be periodically reviewed for reasonableness. Any material discrepancies disclosed in the reconciliation process and records review should be investigated and resolved. In addition, District officials should maintain an inventory of fuel keys used to access fuel inventories and disable any keys that are not accounted for.

Fuel Was Not Adequately Safeguarded or Accounted For

The Board did not establish policies to provide reasonable assurance that fuel was used for its intended purpose and properly accounted for. In addition, District officials did not design procedures to ensure fuel use and inventory records were properly maintained and reconciled. As a result, the responsibility for managing transportation fuel inventories was not clearly assigned and District officials did not maintain complete and accurate inventory records to safeguard and account for fuel inventories.

Although the system is capable of printing out a tape detailing tank levels on demand, this is not done on a daily basis except for the main campus heating storage tanks. The Director prints tapes of the heating oil tank levels at the main campus prior to and after fuel deliveries to confirm the amounts invoiced. However, no one does this for the compartmentalized and heating oil storage tanks at the bus garage. In addition, facilities employees recorded the date, equipment fueled and number of gallons dispensed for diesel and gasoline on a log maintained in the bus garage. However, transportation staff did not record any details pertaining to the fuel dispensed for the buses, such as the date, vehicle fueled, number of gallons or mileage.

In addition, fuel meters at the bus garage contain slots for 10 gasoline and 29 diesel keys that were issued in duplicate, resulting in a total of 78 fuel keys. However, District officials did not maintain an inventory of fuel keys. We performed an inventory of fuel keys and were unable to locate 17 keys (22 percent). Transportation staff stated that some fuel keys were accidentally turned over with bus keys when the buses were sold or traded in.

Without vital records, neither transportation staff nor District officials are able to review recorded levels to confirm delivery amounts, prepare periodic reconciliations between the amounts that should be on hand and the amounts actually in the tanks or review usage for reasonableness. The lack of safeguards such as periodic reconciliations and reviews and physical controls have prevented District officials from accurately accounting for fuel inventories and increase the risk that thefts and leaks could go undetected.

What Do We Recommend?

The Board should:

1. Ensure written policies and procedures that include assigning individual responsibilities are in place to manage fuel inventories.

District officials should:

2. Ensure accurate fuel inventory, delivery and usage records are maintained and periodic fuel inventory reconciliations are performed, documented and reviewed.
3. Periodically compare vehicle mileage to fuel usage for reasonableness.
4. Maintain an inventory of fuel keys and disable unaccounted for keys.

Appendix A: Response From District Officials

Odessa-Montour Central School District

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**Superintendent's
Office**

Christopher J. Wood
Superintendent of Schools



October 4, 2019

Edward V. Grant, Jr.
Chief Examiner
Division of Local Government and School Accountability
Office of the New York State Comptroller
110 State Street
Albany, NY 12236

Dear Mr. Grant:

The Odessa-Montour Central School District is in receipt of the Fuel Inventory Report of Examination conducted by the Office of the New York State Comptroller. On behalf of the Board of Education and Administration, I would like to thank the OSC Staff for their efforts and professionalism in reviewing our procedures. We are in agreement with their findings and recommendations for improvement. Please accept this letter as both our response to the audit and corrective action plan.

Recommendation

1. Ensure written policies and procedures that include assigning individual responsibilities are in place to manage fuel inventories.

Implementation Action(s)

Procedures for assigning responsibilities for managing fuel inventories are being developed and will be included in the District's Administrative Manual.

Implementation Date: January 1, 2020

Person Responsible for Implementation: School Business Administrator, Superintendent and Board of Education

Recommendation

2. Ensure accurate fuel inventory, delivery and usage records are maintained and periodic fuel inventory reconciliations are performed, documented and reviewed.

Implementation Action(s)

The Assistant Director of Facilities has taken over the responsibility for maintaining fuel inventory records at the bus garage. He receives a weekly report of gas, diesel and fuel oil usage and is comparing fuel tank volume with billing records to ensure accuracy. He will also compare actual fuel volume with reported usage. A key card system will be used for this purpose once installed.

Implementation Date: ongoing

Person Responsible for Implementation: School Business Administrator and Assistant Director of Facilities

Recommendation

3. Periodically compare vehicle mileage to fuel usage for reasonableness.

Implementation Action(s)

The Assistant Director of Facilities is now receiving mileage information from the transportation supervisor. He compares this information to total fuel usage monthly for reasonableness.

Implementation Date: complete

Person Responsible for Implementation: Assistant Director of Facilities

Recommendation

4. Maintain an inventory of fuel keys and disable unaccounted for keys.

Implementation Action(s)

We are working with our fuel provider and fuel system inspector to set up a new key card system that will eliminate the need for physical keys and will register the amount of fuel used and the person dispensing fuel with each usage. This will give us the ability to immediately shut off access when a card is lost or stolen or an employee is terminated.

Implementation Date: ongoing

Person Responsible for Implementation: Assistant Director of Facilities

In closing, the District appreciates the work of the Comptroller's Office and will implement the items described in the corrective action plan to ensure accurate records and safeguard fuel usage.

Sincerely,

Christopher J. Wood
Superintendent of Schools

Appendix B: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials and employees to gain an understanding of the District's fuel management process.
- We observed the District's transportation facility including the above ground fuel storage tank and associated security, the fuel pumps and their operation, the transportation yard and garage.
- We observed the records maintained by District officials relating to fuel including facilities employee logs hanging in the bus garage and the Director's daily New York State Department of Environmental Conservation reports prepared to monitor heating fuel tanks for leaks.
- We performed an inventory of the District's fuel keys, observing the pump meters and various storage locations for the keys.
- We summarized all fuel purchase invoices for gasoline, diesel and fuel oil; and calculated totals for the 2017-18 and 2018-19 fiscal years and annual totals in gallons and costs.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

A written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law, Section 2116-1(3) (c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review in the Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/localgov/costsavings/index.htm

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/localgov/planbudget/index.htm

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/localgov/pubs/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/localgov/finreporting/index.htm

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/localgov/researchpubs/index.htm

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/localgov/academy/index.htm

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